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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Trademark Application
Serial No. 78/363024
Filed February 5, 2004
For the mark HAVANA CLUB
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CORPORACION HABANOS, S.A.,)	
)	
Opposer,)	Opposition No. 91165519
)	
v.)	
)	
ANNCAS, INC.,)	
)	
Applicant.)	
)	

OPPOSER CORPORACION HABANOS, S.A.'S TRIAL REPLY BRIEF

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OPPOSER CORPORACION HABANOS, S.A.'S TRIAL REPLY BRIEF

PLEASE TAKE NOTICE THAT Opposer Corporacion Habanos, S.A. (“Opposer” or “Habanos, S.A.”), pursuant to 37 C.F.R. § 2.128, files its Trial Reply Brief, in further support of its request that the Trademark Trial and Appeal Board render judgment sustaining the Opposition and refusing registration of Application Serial No. 78/363024 (HAVANA CLUB). Opposer separately files herewith its Response to Applicant’s Statement of Evidentiary Objections and Reply to Applicant’s Response to Opposer’s Statement of Evidentiary Objections. *See* T.B.M.P. § 801.03.

INTRODUCTION

In its Trial Brief (“App. Br.”), Applicant all but concedes that its mark is primarily geographically deceptively misdescriptive, devoting barely one page to this central issue. App. Br. 23-24. Applicant does not argue that the PTO was incorrect in its refusal to register HAVANA CLUB for “cigars” under section 2(e)(3). Applicant makes no argument refuting Opposer’s showing that each of the factors of *In re California Innovations, Inc.*, 329 F.3d 1334, 1341 (Fed. Cir. 2003), are satisfied to bar registration of Applicant’s amended application for HAVANA CLUB for “cigars made from Cuban seed tobacco.” Applicant does not challenge Opposer’s analysis of the PTO TESS records proffered by Applicant.

Applicant’s sole argument that section 2(e)(3) does not bar registration of HAVANA CLUB is that it has the right to use the term “Cuban seed tobacco” to describe the type of tobacco it intends to use in its cigars. Of course, nothing in this Opposition addresses whether Applicant or anyone else in the U.S. cigar industry may use the term “Cuban seed tobacco” to describe its tobacco. Opposer’s sole point, unchallenged on the law and evidence, is that the use of that term cannot convert a mark that cannot be registered under section 2(e)(3) into one entitled to registration.

Rather than addressing the merits under section 2(e)(3), Applicant resorts to factually inaccurate, and legally meritless and irrelevant arguments. Applicant’s attorney attempts to impeach its representations to the PTO and Applicant’s own testimony as to what it meant by “Cuban seed

tobacco, arguing that perhaps Applicant will use other tobacco for its cigars – arguments that are not only factually baseless, but legally meritless and irrelevant to the section 2(e)(3) registration issue.

Applicant also attempts to raise for the first time an affirmative defense, waived because never pleaded or tried, that a statute known as “section 211” bars Opposer from bringing this action. Applicant never explains how this law is applicable here, and its untimely argument, even if addressed on the merits, is baseless.

Applicant’s claim that Opposer lacks standing is based on a fundamental misunderstanding of standing doctrine before the Board, misstates or ignores the relevant law, and ignores the dispositive facts. Under controlling precedents, including *Corporacion Habanos, S.A. v. Guantanamera Cigars Co.*, Opp. No. 91152248 (T.T.A.B. Feb. 29, 2008), Opposer easily satisfies the standing rules to bring this opposition.

Finally, Applicant’s claim that it had no duty to disclose to the PTO material facts concerning what it meant by “Cuban seed tobacco,” when it amended its goods *for the specific purpose* of overcoming the section 2(e)(3) refusal, is directly contrary to controlling law, and would improperly take the registrability determination out of the hands of PTO Examiners, and place it in the hands of applicants or their attorneys.

OPPOSER’S RESPONSE TO APPLICANT’S STATEMENT OF FACTS

Opposer responds here briefly to certain of the more inaccurate and irrelevant of Applicant’s “facts,” which are not otherwise addressed in this Reply.

1. Applicant does not attempt to refute or contest *any* of Opposer’s evidence or analysis concerning other PTO applications or registrations that contain the word “Havana” or “Habana” in the PTO TESS database “Word Mark” field, or the evidence that most of these marks are not in use in commerce. *See* Opposer’s Trial Brief (“Opp. Br.”) 21-29, 42-44. Instead, Applicant does no more than perfunctorily provide a count of how many application or registration records it found in the TESS “Word Mark” database with those two words (including those belonging to Cuban entities,

abandoned registrations, and Supplemental and section 2(f) registrations); how many of those are “or were” once registered; how many of those records include the words “‘Cuban seed tobacco’ or equivalent” in the identification of goods; and how many registrations “(active or not)” “have ‘Cuban seed tobacco’ as part of their goods identification.” App. Br. 5-6.

2. Applicant asserts, “Opposer does not disagree with the fact that this is, and has been the standard Office practice for many years prior to Applicant’s application,” App. Br. 6-7, apparently referring to Applicant’s misguided claim that prior to its application, the PTO had a “practice” of approving applications with the word “Havana” for “cigars,” without the words “Cuban seed.” First, Opposer has demonstrated, without contradiction, that far from a “standard Office practice,” the PTO has routinely taken inconsistent and arbitrary positions with respect to such applications; the Examiners have displayed serious, and inconsistent, misunderstandings of the use of “Havana” and “Cuban seed tobacco”; and at least five different Examiners have been deceived by such applications to believe that the cigars, or tobacco, actually come from Cuba. Opp. Br. 25-29 (citing evidence). Second, Applicant’s own and other evidence belies this “standard Office practice,” showing that marks applied for prior to Applicant’s application, including by Applicant’s own attorney, were refused registration until the goods were identified as made from “Cuban seed tobacco.” *See, e.g.*, Opp. NOR 15; Opp. Rebuttal NOR 12, 20, 22; Gomez Cross Ex. 5; Opp. Br. 28-29.

3. Applicant simply makes up the following statement, attributing it to its principal, William Bock: “For many years the trade has used this wording [“tobacco from Cuban seed”] to identify tobacco having specific characteristics. Bock Test. Depo. Tr. p. 10.” App. Br. 5. Not only did Bock not so testify at page 10, or elsewhere,¹ but he testified to the exact opposite, and the

¹ The only testimony at page 10 even remotely related to this non-existent statement is in response to a question of “what other equivalent terms would you use” for “Cuban-seed tobacco,” “I know of none that we could substitute for. It’s just the standard seed that we use throughout the industry.” Bock Tr. 10.

unrebutted evidence is that tobacco called “Cuban seed” does not have any particular characteristics. *See* Opp. Br. 16-19 (discussing evidence of “Cuban seed tobacco”); Opp. NOR 1; Bock Dep. at 96:12-98:24 (taste of “Cuban seed tobacco” “varies,” based on “[w]here it’s grown, what tobacco” is used); Opposer’s expert, Richard B. Perelman, Tr. 71:15-72:7 (claim of “Cuban seed tobacco” by itself “doesn’t mean anything” and does not create a “particular expectation” for such a cigar); Opposer’s expert, Eumelio Espino, Tr. 30:15-40:1; 51:19-52:7 (explaining that characteristics of tobacco depend on various factors in addition to seed).

ARGUMENT

I. OPPOSER HAS STANDING TO OPPOSE APPLICANT’S APPLICATION

Applicant’s assertion that Opposer lacks standing to bring this Opposition fundamentally misconstrues standing doctrine before the Board, and ignores the relevant law and facts. Notably, Applicant made no argument that Opposer lacked standing on its motion for summary judgment. Now, faced with the overwhelming evidence and law that its mark is not entitled to registration, it devotes almost half of its brief to this baseless, indeed desperate, attack on Opposer’s standing. Applicant makes the fundamental error of basing its argument on the constitutional standards for Article III standing for a federal court action, which are different, and more strict, than standing rules before the Board. Applicant further mischaracterizes standing cases before the Board, and ignores Opposer’s extensive evidence concerning its real interest in this matter, and its reasonable belief that it will be damaged by the registration of this mark.

Applicant commences its standing argument by asserting, “To have standing a party needs to satisfy three factors,” and then lists the three factors for *Article III standing* in federal court, not standing to bring an Opposition proceeding before the Board. App. Br. 11-12 (citing *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992)). In the immediately preceding passage in *Lujan*, the Court made unmistakably clear that this was the test for federal court Article III standing: “the core component of standing is an essential and unchanging part of the case-or-controversy

requirement of Article III. Over the years our cases have established that the irreducible constitutional minimum of standing contains three elements.” *Lujan*, 504 U.S. at 560 (internal citation omitted). Applicant’s argument is primarily a misguided attempt to apply this inapplicable Article III standard to opposition proceedings before the Board.

In *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999), the Federal Circuit explained, “In courts created pursuant to Article III of the United States Constitution, a plaintiff must make out a ‘case or controversy’ between himself and a defendant to have standing. However, ‘case’ and ‘controversy’ restrictions for standing do not apply to matters before administrative agencies and boards, such as the PTO.” *Id.* at 1094-95 (citing cases and commentary, internal citations omitted). “Thus, the starting point for a standing determination for a litigant before an administrative agency is not Article III, but is the statute that confers standing before that agency. In the case at hand, the starting point for the standing determination of the opposer is § 13 of the Lanham Act,” *id.* at 1095, which provides: “Any person who believes that he would be damaged by the registration of a mark upon the principal ... register may, upon payment of the prescribed fee, file an opposition....” 15 U.S.C. § 1063(a).

Federal Circuit case law “leads us to the inescapable conclusion that the requirements for standing have been liberalized.... The continuing pronouncements of the Federal Circuit leave us with the understanding that there is a low threshold for a plaintiff to go from being a mere intermeddler to one with an interest in the proceeding.” *Estate of Biro v. Bic Corp.*, 18 U.S.P.Q.2d 1382, 1385 (T.T.A.B. 1991); 3 *J. Thomas McCarthy*, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 20:7, at 20-19 (2008) (noting “liberalized standing rules”; “opposer need only be something more than a gratuitous interloper or a vicarious avenger of someone else’s rights”); *Universal Oil Products Co. v. Rexall Drug & Chemical Co.*, 463 F.2d 1122, 1124 (C.C.P.A. 1972) (requirement of “belief of damage” “has been liberally construed”).

Thus, “by its terms, the statute only requires that a person have a belief that he would suffer

some kind of damage if the mark is registered.” *Ritchie*, 170 F.3d at 1095. The Federal Circuit has elaborated this statutory standard, requiring only that the opposer “have a ‘real interest’ in the proceedings and must have a ‘reasonable’ basis for his belief of damage.” *Id.* An opposer need “only to show a personal interest in the outcome of the case beyond that of the general public.” *Guantanamera Cigars*, *supra*, at 4-5 (quoting *Jewelers Vigilance Committee, v. Ullenberg Corp.*, 823 F.2d 490, 493 (Fed. Cir. 1987)).

Applicant is simply wrong that proof of actual economic damage is required to establish standing. “[T]here is no requirement that damage be proved in order to establish standing.” *International Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1092 (Fed. Cir. 1984); *see also Selva & Sons, Inc. v. Nina Footwear, Inc.*, 705 F.2d 1316, 1325 (Fed. Cir. 1983); 3 MCCARTHY, § 20:9, at 20-22.1-24

As the Board recently held in *Guantanamera Cigars* (involving the same opposer as here), although Habanos, S.A. is barred by the United States embargo from selling its cigars in the United States, it has standing to oppose registration under section 2(e)(3), upon showing a “real interest” in the outcome. *See Guantanamera Cigars*, *supra*, at 4-5. In *Guantanamera Cigars*, Habanos, S.A.’s “real interest” to assert a section 2(e)(3) claim was established by a pending application for the same mark, even though the opposer made no claim of priority or confusion. *See id.* at 5.²

Applicant is forced to concede that Habanos, S.A. has standing to bring an opposition based on section 2(e)(3), but then contends, *ipse dixit*, that it only has standing in a situation *identical* to *Guantanamera Cigars*, on the erroneous assertion that the only other “real interest” establishing standing is direct economic competition with the applicant. App. Br. 18. However, the case law, including cases cited by Applicant, is directly to the contrary; a broad range of interests and harms,

² The Board also found that, under the general license of 31 C.F.R. § 515.527 of the CACR, “opposer, as a Cuban entity, is not restricted from pursuing” that opposition. *Guantanamera Cigars*, *supra*, at 5. In this case, Opposer has a *specific* license from the Treasury Department’s Office of Foreign Assets Control (“OFAC”) to bring this opposition, Opp. NOR 18, and, therefore, likewise “is not restricted from pursuing this opposition.”

even in the absence of a claim to rights in the challenged mark, economic competition with the applicant, or proof of actual damage, satisfy the Board's liberalized standing rules.

To establish standing under section 2(e)(3), an opposer need not claim ownership of the mark or use the term as a trademark, or even engage in the sale of the types of goods at issue. *See Commonwealth of Aruba v. Excelsior, Inc.*, 5 U.S.P.Q.2d 1685, 1686 (T.T.A.B. 1987). In *Aruba*, the Board found that the Aruban government had standing to oppose a geographically deceptively misdescriptive mark, although the government itself did not sell swimwear, did not express any interest in doing so, and did not assert any ownership of the mark. Nevertheless, the Board found that Aruba was not a mere "intermeddler," and that it had a real interest in the outcome based on its claim that the term "Aruba" "should be kept free for use as an indication of a legitimate connection between Aruba and goods having a relationship thereto." *Id.*

Similarly, in *Jewelers Vigilance Committee*, the Federal Circuit held that a trade association had standing to oppose an allegedly deceptive mark "without proprietary rights in a mark or without asserting that it has a right or has an interest in using the" challenged mark, and where it is not a competitor of applicant. 823 F.2d at 493. Likewise, in *Tanner's Council of America, Inc. v. Gary Industries, Inc.*, 440 F.2d 1404 (C.C.P.A. 1971), the opposer, a trade association, challenged a mark as deceptive or deceptively misdescriptive. The opposer made no claim to the mark, was not seeking registration of a similar mark, and did not engage in any business involving the goods at issue or otherwise compete with the applicant. As explained in *Universal Oil, supra*, the trade association claimed only "that the income of the association was dependent upon the income of its members and that registration of the involved mark *could* weaken the sales position of its members thereby ultimately reducing its own income." 463 F.2d at 1124 (emphasis added). The Board found that this harm, despite its speculative and attenuated nature, constituted a "a real interest" and a reasonable belief in damage sufficient to support standing to oppose. *Tanner's Council*, 440 F.2d at 1406-07; *see also FBI v. Societe: "M. Bril & Co.,"* 172 U.S.P.Q. 310, 313 (T.T.A.B. 1971) (opposer, a

government agency, not in commercial competition with applicant; opposer need only “establish conditions and circumstances from which damage to it from the opposed mark can be assumed”).

Applicant does not dispute that Opposer has properly alleged standing. App. Br. 8; *see* Notice of Opposition ¶¶ 2-4, 44-50. Applicant then ignores the extensive, unrebutted evidence that Opposer has a “real interest” in challenging the mark and a reasonable belief that it will be damaged by the registration, instead making legally irrelevant and factually incorrect assertions regarding the evidence. App. Br. 8-10.

Applicant does not contest that Opposer is currently the exclusive exporter of premium Cuban-origin cigars. *See* App. Br. 10. The extensive and uncontested testimony and documentary evidence further shows: Opposer intends to sell genuine Havana cigars, *i.e.*, 100% Cuban-origin cigars, in the United States as soon as U.S. law allows; to that end, it has registered HABANOS UNICOS DESDE 1492 (translated as “unique Havana cigars since 1492,” Opp. NOR 17); and it actively and at its expense advertises and promotes that mark, the identification in the minds of U.S. consumers of “Havanas” and “Habanos” with 100% Cuban-origin cigars, and the reputation of those cigars. Morejon Tr. 41:3-52:25. Indeed, in entering summary judgment for Opposer on Applicant’s counter-claim to cancel Opposer’s registered HABANOS UNICOS mark, the Board expressly found that Opposer “intends to use the mark in the United States as soon as it is legally possible to do so,” and “[i]n fact, to keep opposer’s mark in front of American consumers, opposer uses its mark in advertising in U.S. publications.” Summary Judgment Opinion at 13 (Dkt. No. 31). Applicant submitted no evidence refuting the Board’s finding.

In the advertising and promotion Opposer carries out in connection with its marketing strategy for entering the U.S. market with genuine Havana cigars *i.e.*, 100% Cuban-origin cigars, when the embargo is lifted, Opposer uses “Havana” and its Spanish equivalent, “Habanos,” to refer to exclusively 100% Cuban-origin cigars; and it emphasizes and promotes the Cuban origin of Havanas/Habanos in the United States, including in U.S. publications. *See* Morejon Tr. 28:11-34:5;

40:19-52:25; Morejon Ex. 3-9 (e.g., Ex. 6: “Havanas Unique since 1492”; Ex. 8: “There are just few things in the world that are known without question to be best of their kind. A Habano, or Havana cigar, is one of them,”; Ex. 9: “Havanas unique since 1492”); Opp. NOR 19 (sample advertisements).

This evidence establishes that Opposer has far more than a reasonable belief that its registered HABANOS UNICOS mark will be damaged; its advertising and promotion strategy for entering the U.S. market post-embargo will be damaged; and the reputation of genuine Havana cigars will be damaged by Applicant’s registration of HAVANA CLUB for a non-Havana cigar. The evidence further shows that Habanos, S.A., as the owner of the HABANOS UNICOS mark and the current exclusive exporter of genuine 100% Cuban-origin cigars, has a very real interest in preventing that damage; is not a mere intermeddler with no interest different from the general public; and is not “a gratuitous interloper or a vicarious avenger of someone else’s rights.” 3 MCCARTHY, § 20:7, at 20-19.

Opposer’s real interest and reasonable belief that it will be damaged by registration of the mark is further shown by the fact that Opposer has also actively sought to prevent the use and registration of the terms “Havana”/“Habanos” for non-Cuban-origin cigars, bringing numerous TTAB opposition proceedings and federal court actions against such applications or uses, all of which have resulted in withdrawals of the applications and injunctions or agreements not to use the mark (other than recently filed pending matters). *See* Opp. NOR 16; Opp. Rebuttal NOR 6, 26-27.³

³ Applicant completely misunderstands the settlement agreement in *Corporacion Habanos, S.A. v. Superior Cigars, USA, Inc.* No. 07 Civ. 01001 (D.N.J.), in which that defendant withdrew its application in the PTO for HABANOS PUROS and agreed to stop using any cigar marks with the words “Habanos” or “Havana.” Opp. Rebuttal NOR 26. Applicant mistakenly claims that Opposer “agreed not to pursue any legal claims if the tobacco comes from Cuba,” citing ¶ 8 of the Settlement. App. Br. 7-8. In fact, ¶ 8 provides precisely the opposite, with Habanos, S.A. expressly “reserv[ing] all such rights, claims, remedies and defenses,” if the defendant were to use such terms “in connection with tobacco products made in Cuba from Cuban tobacco” after the embargo is lifted, and Habanos, S.A. explicitly warned that it is Habanos, S.A.’s position that the defendant could not use such terms in connection with Cuban tobacco without the consent of Habanos, S.A., it would be

Logic and common sense also support the finding that Opposer has a real interest in the outcomes and reasonable belief in damage for it to undertake the expense and effort of all these proceedings. Applicant has certainly produced no evidence that all these proceedings were brought by an intermeddler with no real interest in the outcome, or that Opposer's belief that it will be damaged by these marks is unreasonable.

Applicant's reliance on the non-precedential decision, *Havana Club Holding, S.A. v. Buffett*, 2003 TTAB Lexis 129 (T.T.A.B. March 13, 2003), involving opposition to the mark HAVANAS AND BANANAS in IC 33, under section 2(a) for suggesting a false connection with the opposer ("HCH"), for dilution, and under section 2(e)(3), is completely misplaced for several reasons, and reinforces Opposer's standing here. In that case, the opposer, a Luxembourg company involved exclusively in the sale of one brand of Cuban-origin rum, HAVANA CLUB, based its standing claim solely on its purported rights to the HAVANA CLUB mark for rum in the U.S., relying on two pending section 44(e) applications based on its Luxembourg HAVANA CLUB registration. The Board, however, found that HCH was collaterally estopped from claiming any rights in the U.S. in that rum mark, as a result of a prior federal court litigation finding HCH had no rights in a U.S. registration of the same mark. *Id.* at *5, citing *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116 (2d Cir. 2000) ("*Galleon*"). Because the *only* grounds HCH had asserted for its standing were rights in the mark based on the pending applications, once the Board held it had no rights in the mark, it had no "real interest" in the outcome of the application.

In sharp contrast, here, not only *does* Opposer have rights in its registered mark, HABANOS UNICOS DESDE 1492 (which Applicant attempted but failed to cancel, recognizing the mark supports standing here), but Opposer *additionally* based its standing, as discussed above, on its interest in protecting its active advertising and promotion campaign that promotes its mark, identifies

liable if it did so, and Habanos, S.A. would take legal action if the defendant did so. Opp. Rebuttal NOR 26 (Settlement, at 1-2).

“Havana” with genuine Cuban-origin cigars, and promotes the reputation of genuine Havana cigars. This real interest is shown both by its above-described marketing strategy in connection with its intent to enter the U.S. market, including with its HABANOS UNICOS (“Unique Havana cigars”) mark “as soon as it is legally possible to do so,” as the Board has already found, SJ Opinion at 13, and by Opposer’s persistent legal efforts against attempts to use or register “Havana”/“Habanos” cigar marks.

Although there is no indication that HCH made this argument, the Board also stated that HCH did not have standing as a competitor, because it could not sell Cuban rum in the U.S. *See id.* at *18 (citing *Galleon*, which had found no standing for a section 43(a) false advertising claim. *Galleon*, 203 F.3d at 130). Unlike the facts here, the court had already held that HCH had no interest in any mark in the U.S. upon which it could rely for standing, and HCH made no claim that it was conducting an advertising campaign of promoting in the U.S. either the mark, Cuban rum generally, or the connection between Havana and rum. Further, in *Galleon*, the court had held that standing to assert a section 43(a) *false advertising* claim at a minimum “requires the potential for a commercial or competitive injury,” *id.*, a standard stricter than for standing to bring an opposition under section 2(e)(3), as elaborated in the precedential *Guantanamera Cigars* (which did not inquire into a competitive or commercial injury) and *Aruba* decisions, and other cases cited above. In any event, the court in *Galleon* acknowledged that *competition* is not a prerequisite for standing under section 43(a), and nothing in that decision suggests that the types of interests that Habanos, S.A. has here in its mark and its advertising and promotion campaign would not have been enough for standing.

Given HCH’s sole reliance on its void pending applications, the Board in *Buffet* did not hold, and would have had no reason to hold, that a Cuban party could never bring an opposition proceeding, or assert a section 2(e)(3) claim, because it is not a competitor in the U.S. Such a strained interpretation, as urged by Applicant, would in any event be directly contrary to the recent, precedential *Guantanamera Cigars* decision. Further, if *Buffett* were interpreted as holding that

standing under section 2(e)(3) is identical to the rule applied in *Galleon* for a section 43(a) false advertising claim, such a decision would be erroneous, given the liberalized standing rules for opposition proceedings, including for section 2(e)(3) claims. If the Board were to hold that standing under section 2(e)(3) opposition proceedings *is* identical to federal court standing for section 43(a) false advertising claims, Opposer further contends that the *Galleon* decision is itself erroneous, at least to the extent it is construed as requiring a commercial or competitive injury in the United States, without regard to evidence of any other interests and reasonable belief in damage.⁴

Finally, Opposer notes that Applicant's position contradicts the long-standing policy of the United States in maintaining the reciprocal protection of the marks of U.S. nationals in Cuba and of Cuban nationals in the U.S. To help carry out this reciprocity, the U.S. has authorized the registration and maintenance of marks of Cuban nationals (and Cuba has done the same for U.S. nationals), and has also allowed advertising and promotion of those marks in the U.S, despite the fact they cannot be used here. *See* 31 C.F.R. §§ 515.527, 515.528, 515.545. Yet in Applicant's view, the U.S.'s reciprocity policy is a sham, because although Cuban parties can obtain these "real interests" under U.S. law, they have no standing to protect them. That is not, and should not be, the law.

II. "SECTION 211(b)" DOES NOT BAR OPPOSER FROM BRINGING THIS PROCEEDING

For the first time in this proceeding, Applicant claims that § 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, 112 Stat. 2681 (1998), bars Habanos, S.A. from bringing this opposition. App. Br. 21-22. This argument has not only been waived by never having been previously pleaded, but is completely meritless.

Applicant never asserted this affirmative defense in its Answer, never mentioned it in its

⁴ If so read, *Galleon* would give a too-strict reading to the "potential for a commercial or competitive injury" standard for a false advertising claim, which does not require direct competition, but only a logical causal connection between the alleged false advertising and the plaintiff's own position, and allows commercial plaintiffs to obtain injunctive relief even when the likelihood of potential impact on the plaintiff is subtle and slight.

motion for summary judgment or in opposition to Opposer's motion for summary judgment, and never previously raised it at any time in this proceeding, including in discovery. It is well-established that an affirmative defense never pleaded or otherwise raised in the course of an opposition proceeding cannot be raised for the first time in the briefs on the merits and, therefore, Applicant's new argument has been waived. *See The Chicago Corp. v. North American Chicago Corp.*, 20 U.S.P.Q.2d 1715, 1717 n.5 (T.T.A.B. 1991) (defense that opposer lacks proprietary rights in its common law mark raised for first time in final brief was neither pleaded nor tried; "[t]o allow applicant to interject its defense for the first time at the final hearing would constitute an undue surprise"); T.B.M.P. § 311.02(c) ("unpleaded defense cannot be relied upon by the defendant unless the defendant's pleading is amended or deemed amended") (citing cases). "If, after the filing of its pleading, a party learns, through discovery or otherwise, of information which would serve as the basis for an additional ... defense..., the party *should move promptly to amend* its pleading to assert the additional matter." T.B.M.P. § 314 (emphasis added).

Applicant's attorney undeniably knew of both § 211 and the controversy concerning an unrelated mark for HAVANA CLUB for rum, at least since 2001, three years *before* counsel filed this Application, when he was quoted discussing § 211 in the context of the HAVANA CLUB rum mark dispute. *See* J. Werner, "Hangover From Rum Row: Easing Of U.S. Restrictions On Food Exports To Cuba Creates Rush Of American Companies To Protect Trademarks There," *Miami Daily Business Review*, Aug. 17, 2001, at 3, *available on Westlaw at* 8/17/2001 MIAMIDBR1 (quoting Applicant's counsel, Jesus Sanchelima: "'I don't think that Section 211 is the real threat,' Sanchelima said.")

Because the § 211 defense plainly constitutes an "avoidance or affirmative defense," T.B.M.P. § 311.02(b). *i.e.*, it would avoid a determination of the underlying merits of the right to registration, 5 WRIGHT & MILLER FEDERAL PRACTICE AND PROCEDURE: CIVIL 3D § 1270 (2008), it is plainly subject to the requirement that this affirmative defense have been timely raised.

Assuming the Board addresses this unpled, untimely argument on the merits, the claim that § 211(b) bars this opposition is simply wrong. Applicant never quotes any part of that statute, nor identifies anything in § 211 that might bar this proceeding. Section 211(b) provides in full:

No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

First, and dispositively, Opposer does *not* assert any claim or right to the HAVANA CLUB mark, nor does it base any claim or argument here on any right, title, claim, or interest in that mark, and Applicant does not, and could not, contend otherwise. Simply put, Opposer is *not* here asserting or relying on any treaty (or any other) rights “for a mark, trade name or commercial name” as the basis for its opposition to registration. Rather, its claims here are based exclusively on the geographic deceptiveness of Applicant’s HAVANA CLUB mark under section 2(e)(3), and the interests it seeks to protect are wholly unrelated to any claim of rights in the HAVANA CLUB mark. Thus, whether Applicant’s mark is or is not a confiscated mark under § 211 is simply irrelevant.

In fact, the very case upon which Applicant relies explicitly held that § 211 does not apply to a false designation of geographic origin claim, because it is not based on any ownership claim to a confiscated mark:

Section 211, however, does not prevent HCI from asserting its false designation of origin claim. This claim does not arise out of any ownership rights that HCI is asserting in the Havana Club name confiscated by the Cuban government. Rather, it arises out of HCI’s claim that as a producer of Cuban rum, it is likely to be damaged by defendants’ allegedly false designation of Cuban origin on its product. Because § 211 does not explicitly abrogate rights to bring an unfair competition claim, this Court will not extend its reach to such claims.

Havana Club Holding, S.A. v. Galleon, S.A., 62 F.Supp.2d 1085, 1094 (S.D.N.Y. 1999), *aff’d*, 203 F.3d 116 (2d Cir. 2000). Likewise, “[b]ecause § 211 does not explicitly abrogate rights to bring” a section 2(e)(3) geographic deceptiveness claim, the Board should “not extend its reach to such

claims.” *Id.*; *see also id.* at 1092 (in § 211, “Congress made clear its intention *to repeal rights in marks* ... where those marks ... satisfy the requirements set forth in § 211”).

Second, even if Opposer were asserting rights in Applicant’s mark (which it is not), § 211 only prevents reliance on the *general license* of section 515.527 of the CACR, which authorizes Cuban nationals to register and maintain trademarks, and does not apply to the issuance of *specific* licenses, a point on which both OFAC and the one district court to address the issue are in agreement. *See* 31 C.F.R. § 515.527(a)(2); *Cubaexport v. OFAC*, 516 F.Supp.2d 43, 47-48, 56 (D.D.C. 2007). Here, Opposer has a specific license from OFAC to bring this proceeding, so § 211 is not applicable in any event. Opp. NOR 18.

Third, Applicant’s *cigar* mark is not the same as or substantially similar to a mark confiscated in Cuba. Applicant never claims that *its* mark was confiscated, or that it has any rights in any confiscated Cuban mark. Applicant has submitted no evidence that there was ever any such cigar (or other tobacco) mark in Cuba or that such mark was confiscated. That there was an allegedly confiscated *rum* mark by the same name is irrelevant to any § 211 issue concerning this Applicant’s unrelated *cigar* mark. Applicant has submitted no evidence of any connection between its cigar mark and the rum mark or of any claim to any interest in that mark, and none exists.

Fourth, even if somehow relevant to § 211, and Applicant nowhere explains how it could be, Applicant has also not submitted any evidence to support its groundless speculation that Opposer is acting on behalf of some unidentified Cuban party, or any evidence of the supposed relationship between that party, or what that party’s interest in Applicant’s *cigar* mark might be.

Fifth, Applicant nowhere explains its bizarre claim that § 211 bars this proceeding because Mr. Perelman, Opposer’s expert on the U.S. cigar industry, responded to an irrelevant and objected to question with the reasonable observation that the fact that HAVANA CLUB is such a famous Cuban rum product would increase the likelihood that U.S. cigar consumers would be deceived into believing there was a relationship between Applicant’s HAVANA CLUB cigars and Cuba.

Finally, the WTO has ruled that § 211 violates the United States's obligations under TRIPs, and the United States has pledged to bring its law into compliance with that ruling. Report of Appellate Body, *United States – Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R (Jan. 2, 2002); *Status Report by the United States*, WT/DS176/11/Add.66 (May 9, 2008). An unprecedented and extraordinary expansion of § 211, far beyond its statutory confines, would place the United States in further violation of TRIPs and would create further difficulties for the United States before the WTO.

III. APPLICANT'S HAVANA CLUB MARK IS PRIMARILY GEOGRAPHICALLY DECEPTIVELY MISDESCRIPTIVE

In its one page devoted to section 2(e)(3), App. Br. 23-24, Applicant never mentions the controlling law, including the test set out in *California Innovations, Inc.*, 329 F.3d at 1341; Opp. Br. 31. Applicant makes no response to Opposer's showing under the law and facts that: 1) the primary significance of the mark is Havana, Cuba, a known geographic location, Opp. Br. 8-9, 31-33; 2) consumers are likely to believe there is a goods place association between Havana and cigars, Opp. Br. 9-14, 33-36; 3) the goods/place association will be material to consumers' purchasing decisions, Opp. Br. 9-14, 36-38; and 4) Applicant's goods do not come from Havana, regardless whether they will be made from "Cuban seed tobacco." Opp. Br. 15-20, 38-42.

Applicant makes no argument that the PTO was incorrect in initially refusing registration of its mark for "cigars." Applicant makes no argument that the term "when the goods do not come from that place," in *California Innovations*, 329 F.3d at 1341, means anything other than what it says. Opp. Br. 38-42. Applicant offers no evidence, examples, or precedent that the possibility of a distant genetic link between agricultural raw materials grown in one place and those grown in another place means the goods "come from that [original] place." To put it bluntly, would the PTO register the mark FLORIDA SUNSHINE for oranges from Cuba, based on a claim that the oranges came from trees descended from seeds brought from Florida a half century ago? Applicant makes no argument

and submits no evidence to refute Opposer's conclusive showing that "Cuban seed tobacco" has nothing to do with Cuba; Havana, Cuba; or Cuban-origin tobacco or cigars, including as to any qualities or characteristics in common with genuine Cuban tobacco. Opp. Br. 15-20. Applicant offers no evidence to refute Opposer's showing that the "Cuban seed" claim is itself completely unverifiable. Opp. Br. 19-20. Finally, Applicant offers no explanation how the addition of the words "made from Cuban seed tobacco" to "cigars" in the identification of goods in an application converts a mark not registrable under section 2(e)(3) into one entitled to registration. Indeed, Applicant appears as baffled as Opposer by the PTO's arbitrary, inconsistent and confused actions in allowing the addition of the words "made from Cuban seed tobacco" to overcome a section 2(e)(3) refusal to register. Bock Tr. 99:8-101:4; App. Br. 6-7.

The *only* argument Applicant makes that its mark is not barred by section 2(e)(3) is that Applicant should be allowed to use the term "Cuban seed tobacco" to identify its goods because it intends to use tobacco from "Cuban seeds," the term is widely used in the industry, and there is not an equivalent term to "Cuban seed tobacco" to use to identify the goods. App. Br. 23-24, *see id.* at 5. Even assuming the truth of these various assertions, the issue of using the term "Cuban seed tobacco" on Applicant's goods or to identify the goods in the PTO is completely irrelevant to the section 2(e)(3) issue, or any other issue in this case.

The issue in this case is whether the mark HAVANA CLUB for cigars not from Cuba can be registered, not whether Applicant can use the term "Cuban seed tobacco" to identify its goods, either in the PTO or in the market. Opposer does not claim in this proceeding that persons in the U.S. cigar industry cannot use the term "Cuban seed tobacco" to describe non-Cuban origin tobacco, either in the marketplace or in the identification of goods in the PTO.⁵ Opp. Br. 4 n.1. The only issue concerning "Cuban seed tobacco" is whether the addition of the words "made from Cuban seed

⁵ Similarly, there is no issue in this case concerning the use of "Connecticut" or "Cameroon" to describe a type of tobacco not grown in those locations. App. Br. at 4-5. Applicant has submitted no evidence that either of these terms are used as *marks* for cigars not from those locations.

tobacco” to “cigars” in the identification of goods can overcome a section 2(e)(3) refusal to register. The overwhelming, unchallenged, and unrebutted evidence is that it cannot.

Applicant, who has been in the U.S. cigar industry for many years, admits that almost all of its brands purport to use “Cuban seed tobacco,” yet not one of these brands includes the word “Havana” in the mark or any other term associated with Cuba. Bock Tr. at 9:13-22, 91:9-13; Bock Tr. Ex. 4 (packaging for “American Stogies” includes claim of “cuban seed” tobacco). Although the term “Cuban seed tobacco” may be widely regarded in the U.S. cigar industry as a meaningless marketing tool and a joke on consumers, Opp. Br. 18-19, nothing as a result of this proceeding will prevent Applicant from continuing to carry on its business exactly as it has for many years, identifying its many brands as made from “Cuban seed tobacco,” and so identifying its goods at the PTO, if it so desires. Likewise, nothing in this proceeding will alter the ability of others in the U.S. cigar industry to use the term “Cuban seed tobacco” to describe tobacco that they claim, with or without any factual basis, is descended from seeds taken from Cuba once upon a time. The only impact on Applicant is it will not be able to register the HAVANA CLUB mark (or similar geographically deceptive marks), a mark that it has never used in commerce.

IV. APPLICANT IS BOUND BY ITS REPRESENTATIONS TO THE PTO AND ITS SWORN TESTIMONY REGARDING “CUBAN SEED TOBACCO”

In a confused and confusing argument, Applicant now claims that it should not be bound by its representations to the PTO, or its consistent sworn testimony of what it means by “Cuban seed tobacco,” because its attorney now asserts that perhaps one day Applicant might use other tobacco. App. Br. 24-27. Under Applicant’s theory, there can never be a mark barred by section 2(e)(3), because the facts and the representations to the PTO are irrelevant. This effort by Applicant’s attorney to impeach the repeated consistent testimony of Mr. Bock regarding what Applicant means by “Cuban seed tobacco,” to treat the representations to the PTO as meaningless, and to make up “facts” that have no support in the record, must be rejected. There is nothing “premature,”

“speculative,” or “convoluted” in Opposer’s arguments concerning “Cuban seed tobacco,” which are based on Mr. Bock’s repeated sworn testimony, as well as the testimony from Applicant’s only other witness. Under Applicant’s apparent concession that it may not use claimed “Cuban seed tobacco,” the Examiner’s initial refusal must control, and the registration should also be refused for fraud on the PTO.

The facts on this issue are clear and undisputed, as discussed in Opp. Br. 5-6, 15-16: The PTO initially refused registration of the mark for “cigars” under section 2(e)(3). App. File. For the *sole purpose* of overcoming that refusal, Applicant’s attorney advised the PTO to amend the goods to add the words “made from Cuban seed tobacco” after “cigars.” *Id.* Opposer served Interrogatories asking Applicant to identify what it meant by “Cuban seed tobacco,” and whether that tobacco had any connection to Cuba. Opp. NOR 14. Applicant admitted that the term refers to tobacco grown outside Cuba from seeds that do not come from Cuba, but are claimed to be “descended from seeds that were taken from Cuba in the late 1950’s and early 1960’s.” Opp. NOR 14 (Applicant’s Response to Int. No. 16(f)); *see id.* (Resp. to Int. No. 21) (“Applicant, by using the term ‘Cuban seed tobacco,’ means that the tobacco to be used in Applicant’s product is grown from seed descended from seeds that previously came from tobacco plants grown in Cuba,” as “Identified in Applicant’s answer to Interrogatory No. 16(f)”; *id.* (Resp. to Int. Nos. 19, 23, 26); also Bock Dep. Ex. 5. At his discovery deposition, Mr. Bock repeatedly confirmed the accuracy of these Interrogatory Responses, to which he had sworn. Bock Dep. at 19:18-21:15; 85:14-24; 87:4-7. In his trial testimony, Mr. Bock testified for a third time his understanding that the tobacco for his cigars would come from seeds descended from seeds that were taken from Cuba “in the early ‘60’s ...or late ‘50’s,” based on what he was told by his manufacturer. Bock Tr. 72:25-73:25. Applicant’s only other witness, Benjamin Gonzalez, testified to the same understanding. Gomez Tr. 23:14-24:10 (seeds came from Cuba “back in the day,” referring to “after the ’61, ’62, after the revolution” in Cuba). It is simply too late in the day for Applicant’s attorney to speculate that perhaps Applicant might have meant something other than

what he repeatedly testified to concerning the meaning of “Cuban seed tobacco.”

Contrary to his attorney’s musings, Bock *never* testified that he intended to use tobacco or cigars from Cuba in connection with the mark, nor did Applicant make such a representation to the PTO in response to the initial refusal. App. Br. 7 n.4, 24. Whatever position the PTO might take in response to a U.S. applicant that represents an intent to use Cuban-origin tobacco in its cigars in an effort to overcome a section 2(e)(3) refusal, that is not this case.

Applicant’s attorney’s claim that perhaps Applicant might use tobacco descended from seeds taken from Cuba more recently than 50 years ago is baseless on numerous grounds. First, Applicant never made such a claim. Second, although Applicant has dealt with growers in the Caribbean and Central America for decades, Applicant was unable to offer a single witness to testify that to any knowledge of anyone obtaining seeds from Cuba more recently than almost 50 years ago. Mr. Bock’s incompetent testimony on the laws of Caribbean or Central American countries does not overcome this utter failure of proof. App. Br. 26; Bock Tr. 77:1-16.⁶ Third, even assuming fewer generations removed from Cuba (despite no evidence of same), cigars made from such “Cuban seed tobacco” no more come from Cuba than do Applicant’s proposed cigars descended from seeds taken from Cuba almost 50 years ago or more. Espino Tr. 39:1-13; Espino Tr. Ex. 1, at ¶ 12.

V. THE APPLICATION SHOULD BE REFUSED BECAUSE OF APPLICANT’S MATERIAL MISREPRESENTATIONS AND OMISSIONS TO THE PTO

Applicant seriously misstates the record and the legal issues in claiming it had no duty to disclose a material fact to the PTO when it amended its application *for the specific purpose of overcoming the refusal to register*, without disclosing the relevant, material facts to the PTO regarding its “Cuban seed tobacco” claim. Opposer has set forth the law that an applicant has a duty

⁶ Applicant is wrong that “American cigar manufacturers can, if they so choose, import cigars that come from Cuban plants directly,” App. Br. 27. *See* Opp. Br. 39 n.14; 31 C.F.R. § 515.204 (2007) (barring import of any goods that are “made *or derived* in whole or *in part* of any article which is the *growth, produce* or manufacture of Cuba” or “[i]s of Cuban origin,” or “[i]s or has been located in or transported from or through Cuba.”) (Emphasis added).

to provide the Examiner with “full disclosure of all material facts,” *Daesang Corp. v. Rhee Bros., Inc.*, 77 U.S.P.Q.2d 1753, 1760 (D. Md. 2005), and that proof of specific intent to defraud is not required. Opposer has also identified the material facts that Applicant knew, but failed to disclose. Opp. Br. 44-47. Opposer here responds to Applicant’s contentions that it had no duty to provide the PTO with any information regarding its amendment of the goods. App. Br. 27-30.

First, Opposer does not “inject an obligation” on an applicant to disclose particulars as to the sources of the goods the applicant intends to use. App. Br. 27. It is Applicant who made the decision to amend its goods by adding the words “made from Cuban seed tobacco,” with the specific intent and for the specific purpose of overcoming the section 2(e)(3) refusal.

Second, there is nothing whatsoever in the record that “additional information was required [by the PTO] as to the type of tobacco [Applicant] intended to use.” App. Br. 27. Rather, the record shows that Applicant’s attorney unilaterally made the amendment for the purpose of overcoming the refusal. Opp. Br. 6; Bock Dep. 75:10-76:10.

Third, Applicant again mistakenly claims that Opposer is attempting here to stop the use of “Cuban seed tobacco.” App. Br. 28. As discussed, this is false. Opposer’s point is that when Applicant’s attorney chose to amend the goods by adding the term “made from Cuban seed tobacco,” with the specific intent and purpose of overcoming a refusal based on the mark’s geographic deceptiveness because of its use of “Havana,” he was obligated to provide the PTO with Applicant’s knowledge, as testified to by Mr. Bock, concerning what Applicant meant by “Cuban seed tobacco,” including the absence of any connection with Cuba; Havana, Cuba; or Cuban-origin cigars, and that Applicant in fact did not “know whether it is true or not” that the tobacco is in fact descended from seeds taken from Cuba. Opp. Br. 45-46; Bock Tr. 74:1-3. Had Applicant’s attorney made “full disclosure of all material facts,” *Daesang Corp.*, 77 U.S.P.Q.2d at 1760, the refusal would, and certainly should, have been maintained.

Finally, Applicant’s claim that PTO Examiners have recognized the “descriptive function of

the term HAVANA” in connection with “Cuban seed tobacco,” App. Br. 29-30, simply crystallizes Opposer’s point. In fact, the uncontroverted record shows that “Havana” performs *only* a *misdescriptive* function in connection with “Cuban seed tobacco.” Had Applicant disclosed the material facts of its “Cuban seed tobacco” claim, the Examiner would have recognized that “HAVANA” no more functions as a descriptive term for non-Cuban “cigars made from Cuban seed tobacco” than it does for non-Cuban “cigars.”

CONCLUSION

For the reasons set forth herein, and upon all the papers and proceedings had herein, the Opposition should be sustained, and registration should be refused to Application Serial No. 78/363024 (HAVANA CLUB).

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Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of Opposer Corporacion Habanos, S.A.'s Trial Reply Brief was sent by email and was served upon Applicant by mailing, postage prepaid, said copy on May 16, 2008 via U.S. First Class Mail to:

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